

PRINCIPLES OF ECONOMICS

B.Com Hons Part-I

TOPIC -

Exceptions to the Law
of Demand

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* EXCEPTIONS TO THE LAW OF DEMAND

Sometimes in many cases, there is a rise in price may increase in demand and cause demand curve to slope upward from left to right.

It is rather known as exceptional demand. These are as follows -

(1) Expected rise in future price -

At the time of war, famine, government policy, limited supply, consumers may behave opposite to the law of demand. If we expect that the increase in the price of the commodity will go higher in future, we may prefer to buy its larger quantity even in the present state of rising price.

(2) Prestigious Goods -

Sometimes, a fall in the price of a 'status symbol' commodity may not lead to a decline in its total demand, which may even extend because several people who could not afford it earlier, may start buying it now when its prices have fallen.

(3) Ignorance of consumer - Sometimes consumers are ignorant about quality of commodity, the law will not apply. Consumers would judge high-priced commodity is better in quality as compared to low priced commodities.

(4) Giffin's Paradox - The Giffin goods is often considered an exception to the law of demand. A fall in its price tends to reduce its demand. Ex: Poor people spends a major portion of his money-income on an inferior commodity like bajra.

